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ENVIRONMENT AND ECONOMICS

UNEP action programme on environment and economics

Report of the Executive Director

Summary

A key challenge in promoting sustainable development is the integration of environmental considerations into development planning policies. In chapter 38 of Agenda 21, Governments called upon UNEP to focus on "developing and promoting the use of such techniques as natural resource accounting and environmental economics" and to concentrate on the "further development and promotion of the widest possible use of environmental impact assessments, including activities carried out under the auspices of specialized agencies of the United Nations system". To implement this mandate, the UNEP Action Programme on Environment and Economics was initiated in 1993 and is being executed in close collaboration with other relevant organizations. The programme focuses on five areas: (a) valuation of environment and natural resources; (b) environment and natural resource accounting (ERA); (c) economic instruments; (d) environmental impact assessment (EIA); and (e) trade and the environment. It emphasizes practical approaches for strengthening national capacity-building in developing countries and countries in transition to market economies. Reports of all the major activities have been or will be published in the Environmental Economics Series and disseminated widely. Trade and environment has assumed priority in this biennium and document UNEP/GC.18/24 elaborates the emerging policy issues.

Suggested action by the Governing Council

The Governing Council may wish to:

(a) Recall chapter 38 of Agenda 21, in which Governments called upon UNEP to focus on "developing and promoting the use of such techniques as natural resource accounting and environmental economics;"

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* UNEP/GC.18/1.

(b) Recall its adoption of the revised draft report of UNEP on plans to implement Agenda 21, submitted to the General Assembly at its forty-eighth session, in which UNEP, inter alia, endorsed the subprogramme on environment and economics, covering; (i) environment and natural resources accounting, (ii) valuation of environmental goods and services; (iii) economic policy instruments; (iv) environmental impact assessment (EIA); and (v) trade and the environment;

(c) Take note of the report of the Executive Director on the UNEP Action Programme on Environment and Economics;

(d) Request the Executive Director to pursue further work in the field of environment and economics, focusing on the further development of tools and approaches for the integration of environment and development to achieve sound environmental management and sustainable development.

A. Overall strategy and status as at December 1994

1. The implementation of the Action Programme is based on four strategies.

Strategy One: Review of Existing and Proposed Research Activities

The focus of the programme is to review and analyse the experience of countries from all the regions and to encourage continuous dialogue and contact between natural and social scientists and donor institutions dealing with environment and economics. The programme promotes information exchange on research in environmental economics-related knowledge and techniques. This strategy is intended to: (a) develop an ongoing dialogue among users of integrated environmental economic tools; (b) focus on major environmental management challenges, including those covered by international environmental agreements and to estimate the costs of the transition to sustainable development; and (c) assist UNEP in the implementation of its programmes, especially the international environmental agreements.

Strategy Two: Internal Coordination

The activities of the Action Programme help to translate national capacity-building objectives into concrete development policy applications. Regular consultations have been and continue to be held with the various UNEP units, programme activity centres (PACs) and regional offices to: (a) ensure coordination between their work and that of the Environmental Economics Unit (EEU); (b) update them in the field of environment and economics; and (c) provide support and possible input and backup in the field of economic analysis and applications. A series of three structured consultations was held during this period.

Strategy Three: External Coordination

A major thrust of the Action Programme is to maintain close coordination with other United Nations organizations, professional and academic associations, the scientific community, national government agencies and administrations, transnational corporations, industry, non-governmental organizations and trade organizations. This coordination is intended to identify gaps and promote more detailed assessments of implications of the use of economic analysis and instruments. In the process of preparing the UNEP Action Programme on Environment and Economics, a series of meetings was held to solicit expert advice. To ensure adequate and representative consultations, UNEP maintains an advisory list of leading economists in development, environment and natural resource economics.

Strategy Four: Capacity-building

The focus here is to develop a conceptual and methodological framework for capacity-building, with a view to enhancing and strengthening the capacity of developing countries and countries with economies in transition to implement environmentally sound and sustainable development programmes. This includes enhancing the capacity of these countries to integrate practical and cost-effective environmental management tools into national plans and decision-making and to develop economic policies tailored to meet their respective fiscal, legislative and planning priorities and development needs.

B. Activities undertaken in 1994

2. Several meetings and workshops on the five main components of the programme were organized and convened by UNEP. In August, a consultative expert group met on the valuation of environment and natural resources, with particular focus on developing countries and countries with economies in transition. The meeting produced a framework action programme, including priority activities for implementation.

3. A workshop on environmental and natural resource accounting, with particular reference to countries with economies in transition, was hosted by Slovakia. The workshop focused on the implementation of the revised system of national accounts, together with the development of environmental satellite accounts. Similar workshops for the West Asia region and French-speaking African countries are planned for 1995.

4. In August, a consultative expert group meeting was convened on the use and application of economic instruments for environmental management and sustainable development. The meeting reviewed the practical application of economic instruments for sustainable environmental management, with emphasis on the application of these instruments in such sectors as terrestrial and marine ecosystems, toxic chemicals and hazardous wastes. As a follow-up to this meeting, UNEP, in collaboration with the United Nations Conference on Trade and Development (UNCTAD), will convene a consultative expert group meeting on the internalization of environmental costs in April 1995.

5. In the field of environmental impact assessment (EIA), activities built on the work done in 1993. The programme focused on challenges facing EIA to make it an effective and practical tool for integrating environment and development into decision-making with a view to achieving sustainable development. As a follow-up to the meeting, UNEP, in collaboration with the Commonwealth Secretariat in London and EarthCare Africa, in March and April convened a subregional EIA workshop in Zambia, for EIA practitioners in Eastern and Southern Africa. The workshop provided the participants with an overview of EIA and also helped identify human, financial and institutional requirements in integrating social, economic and environmental considerations in EIA. In July 1994, a meeting of seven experts selected from the Zambia workshop produced an EIA framework for Africa.

6. In May and June, in collaboration with the Islamic Development Bank, a seminar entitled "EIA of Development Projects" was held in Amman, Jordan. The participants comprised mainly senior managers of development and planning within the national development banks of Arab-speaking countries. In September, a workshop on EIA was convened, focusing on international cooperation, problems encountered in implementing EIAs for externally funded projects and consistency and coherence in the different EIA procedures of recipient countries and donors.

7. Other activities undertaken include a roundtable meeting in May on trade, environment and sustainable development for NGOs from Latin America and the Caribbean and North American regions. In June, the Advisory Group to the Executive Director on Commercial Banks and the Environment met in London. This was followed in September by a two-day roundtable on commercial banks and the environment, which was attended by 45 investment and commercial banks from 23 countries and representatives from regional development banks. Also in June, a technical capacity-building meeting on trade and environment was attended by representatives from the ministries of 35 African countries. Follow-up workshops are planned in the Latin American and Asia-Pacific regions in 1995. In February and November 1994, UNEP and UNCTAD hosted two informal meetings at the ministerial level on trade and environment, which were attended by 26 and 35 countries, respectively. An EIA workshop was held in Kathmandu in December, in collaboration with the Regional Office for Western Asia (ROWA). A follow-up workshop will be held in Kyoto in 1995.

8. Follow-up activities envisaged for 1995 include: (a) a workshop on the environmental impacts of structural adjustment programmes, jointly organized with the World Bank; (b) co-sponsoring of the 1995 Conference of the International Association for Impact Assessment (IAIA), to be held in South Africa (an African high-level ministerial meeting on EIA is also being organized in conjunction with the IAIA Conference); (c) two regional workshops for EIA practitioners in Latin America and the Middle East; (d) an expert group meeting on environmental reviews of trade policy; (e) a training of trainers seminar on the use of economic policy instruments and tools for sustainable agriculture and rural development planning; and (f) a series of expert meetings on international environmental agreements and trade policy, debt avoidance and settlement, equivalency of environmental criteria in material eco-labelling schemes, procedural assessment issues in relation to trade-environment issues and the conditionality of aid and international debt.

1. Country case studies and applications

9. Several projects on valuation were undertaken at the country level. These include: (a) a project covering two country studies; (b) a project to develop the skills of biodiversity country managers for more accurate valuation of biological resources and diversity, to take into account the full social, economic and environmental costs; (c) pilot case studies on the application of techniques of integrated environmental and economic accounting in Indonesia, Colombia and Ghana, in collaboration with the United Nations Statistical Division (UNSTAT); and (d) a project on the application of environmental accounting in Hungary. Two pilot case studies on the application of ERA, with emphasis on biodiversity and coastal and marine resources, are planned in one selected country in Africa and one in Western Asia.

10. A project on the use of economic instruments and their application to environmental policies in developing countries has been launched in Brazil, China and the Republic of Korea. Local institutions in the three countries were identified to undertake the work. The first drafts of the case studies were reviewed in May. The revised drafts and the report will be reviewed in March 1995. A project on the use and application of economic instruments in six selected countries in Latin America and the Caribbean (Argentina, Bolivia, Chile, Colombia, Dominican Republic and Mexico) was launched jointly with Terrestrial Ecosystems Branch (TEB), Regional Office for Latin America and the Caribbean (ROLAC) and the Economic Commission for Latin America and the Caribbean (ECLAC) in 1993. The project addresses sectors of agriculture, forestry, freshwater, biodiversity and manufacturing. A project on environmental cost internalization in the commodity sector in Czech Republic, Egypt, and South Africa was initiated in July, in cooperation with UNCTAD. UNEP co-sponsored with UNCTAD two country-case studies on trade and environment in Argentina and Chile. Similar country-case studies will be supported by UNEP in 1995 in Indonesia Russian Federation and South Africa.

2. Research and development

11. A number of studies and research projects were conducted on: (a) causes of environmental degradation with the focus on market and policy failures; (b) impact of agricultural subsidies and other economic policy measures on agricultural development natural resources management and desertification. The study will be published for wider distribution. Other studies have been prepared on economic values and the environment in developing countries, a framework for the application of economic instruments for environmental and sustainable development and financing mechanisms for environmental investments and sustainable development. These studies are currently being published, commercially for wider distribution. A series has also been published on environment and trade. Other publications included UNEP background papers entitled "Economic Instruments and Environmental Goals; International Environmental Agreements: Factual Note Update" and "Procedural Harmonization Issues and Trade Policy".

12. In September 1994, UNEP issued its report on environmental risk and commercial banks, in preparation for the roundtable with banks. In January 1995, UNEP will release the results of the UNEP-Salomon Global Survey; and in February 1995, it will issue the report on the roundtable meeting on commercial banks and the environment.

13. A joint project was initiated with the Scientific Committee on Problems of the Environment (SCOPE) to develop methodologies for the use of modelling techniques for planning sustainable development, with the focus on valuation of natural resources. This will be followed up in 1995 with a workshop in Brazil, to develop the model for and the publication of a manual on the application of modelling techniques.

3. Manuals and guidelines

14. The preparation of a number of manuals and guidelines has been initiated in 1995. This has been based on the recommendations of the consultative expert group meeting on valuation of environmental and natural resources. UNEP selected institutions and individuals from five different regions of the world to undertake the work. Another planned manual will focus on the techniques and use of ERA and the formulation of modalities for the integration of ERA into development planning. The preparation of a document on EIA good practices has been commissioned, and a working group to develop a training resource manual on EIA convened in January 1995.

4. Network development

15. A database of experts and institutions from all the regions in the field of environment and economics has been developed and established in UNEP. This is necessary to enhance awareness about the use of environmental economics and the promotion of North-South and South-South cooperation.